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- (1) Six-party talks resumed: U.S. hurries toward final phase, North Korea the on offensive

ASAHI (Page 4) (Abridged slightly)
July 11, 2008

Satoshi Ukai, Yoshihiro Makino, Toru Tamagawa, Beijing

The United States is hurrying toward the final phase of denuclearization, North Korea, having presented a declaration of its nuclear programs and activities, is on the offensive, while Japan finds it difficult to take action in the wake of the United States' decision to delist the North as a state sponsor of terrorism. Against such a backdrop, the six-party talks resumed on July 10 after a nine-month hiatus.

The main topic on the agenda is how to verify North Korea's declaration of its nuclear programs. Since arriving in Beijing on July 8, U.S. Assistant Secretary of State Christopher Hill has repeatedly met with his North Korean counterpart, Vice-Foreign Minister Kim Kye Gwan, and vigorously carried out the necessary spadework regarding the agreed-upon onsite inspections of nuclear facilities and interviews with persons concerned in North Korea.

The administration of President George W. Bush desperately wants to achieve results before he leaves office next January by reaching a six-party agreement on how to verify the North's long-overdue nuclear declaration. Washington's wishes were apparently strong enough to brush aside Japan's reluctance to resume the six-party talks early in connection with the Lake Toba summit and to strike a deal to resume the talks on July 10.

Responding positively to talks with Hill, Vice Foreign Minister Kim has acted as though he had aligned himself with the United States. According to the source, when Vice Minister Kim met with South Korean delegate and special representative for Korean Peninsula

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peace Kim Sook, the chief North Korean negotiator expressed a willingness to cooperate in the verification process. The source also presented an optimistic outlook, saying, "I felt a positive reaction."

North Korea's proactive stance comes from Pyongyang's craving for economic and energy aid. The North is supposed to receive aid equivalent to 950,000 tons of heavy fuel oil in the second phase of denuclearization, but things have not gone as planned.

A South Korean government source thinks that with the Bush administration approaching its end, the North will make any move to grab whatever is available.

The Korean Central News Agency applied pressure on Washington on July 10 by saying in its commentary that the United States must fulfill its obligations. The North Korean Foreign Ministry also released a press statement on July 4 urging the six-party members to fulfill their duties first. On July 10, A/S Hill implied a plan to present a specific aid timetable to the North and seek its understanding, saying, "North Korea wants to know the contents of the aid program."

Japan under pressure

Japan feels pressure from the stances of the United States and North Korea. Foreign Ministry Asian and Oceanian Affairs Bureau Director-General Akitaka Saiki had to sit at the six-party table on July 10 after briefly exchanging notes with his U.S. and South Korean counterparts following his arrival in Beijing earlier in the day.

Setting the highest hurdle among the participants is Japan's basic policy. Saiki in the meeting pointed out the absence of information on nuclear weapons from the North's declaration, while underlining the need to establish a verification framework including Japan and participation by the International Atomic Energy Agency (IAEA).

Other countries might also express discontent with Japan, which has not supplied energy aid to the North. Saiki again emphasized Japan's standpoint that it will not take part in aid unless there is progress on the abduction issue. The United States and South Korea have informally presented the idea of temporarily extending aid to the North in place of Japan. But some countries are balking at the

idea, saying that it would turn the six-party framework into a mere shell, according to the negotiations source. The reality is that Japan has to continue insisting that the six-party members must pursue the denuclearization and abduction issues simultaneously. Japan wants to continue working closely with the United States based on President Bush's statement that the abduction issue must be addressed under the six-party framework.

(2) Lake Toya Summit closes: Hopes pinned on Japan's environmental technology

MAINICHI (Page 11) (Excerpts)
July 10, 2008

Leaders from the Group of Eight (G-8) nations at the Lake Toya Summit agreed to share a long-term target to halve greenhouse gas emissions by 2050. The phrase, "The G-8 nations will cooperate for the development and dissemination of environmental technology," was

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incorporated in the G-8 statement. Environmental technology is the forte of Japan, which has thoroughly promoted energy conservation. Voices pinning hopes on Japan's technology are now beginning to be heard. Japan will likely be pressed to strengthen joint efforts between the government and the private sector in such areas as the development of new energies, with the aim of achieving the emissions reduction goal.

U.S. President Bush during a press conference held at the White House on July 2 expressed expectations of Japan's environmental technology, "I am sure the time will come in the near future when electric cars will become widely available thanks to Japanese technology."

The Japanese government has underscored from way back that technical innovation is important in order to curb global warming. Japan in May last year incorporated the development of innovative technologies in the plan called Cool Earth 50, as proposed by Prime Minister Shinzo Abe. The aim was to cut greenhouse gas emissions by 50 PERCENT by 2050. However, the Heiligendamm Summit, held right after that proposal was made, adopted in its statement abstract words "technology is the key to curb climate change." As such, the international community did not pay much attention to environmental technology.

However, environmental technology is now drawing increasing attention due to the steep rise in crude oil prices since last fall. Prime Minister Yasuo Fukuda at the World Economic Forum's Annual Meeting in Davos in January this year revealed a plan to invest about 30 billion dollars (approximately 3.2 trillion yen) for R&D in the environment and energy fields over the next five years.

The Ministry of Economy, Trade and Industry (METI) in March this year mapped out the Cool Earth - Energy and Innovative Technology Plan, which selected 21 technologies, including electric cars, solar energy generation and next-generation-type nuclear power generation and indicated an implementation road map up to 2050.

The G-8 statement on the environment this time incorporated words "in order to map out a road map for environmental technical innovation, an international cooperative system will be created." The government wants to display international leadership in setting measures against global warming, by achieving technical development through cooperation between the private sector and the government, based on METI's road map.

Many challenges to tackle before achieving emissions goal

METI has expedited technological development, such as the development of new energies, for the purpose of achieving energy conservation and cutting greenhouse gas emissions. However, there remain many challenges to tackle before achieving the reduction target.

Automobiles

The government plans to fully disseminate fuel-cell electric vehicles, which are considered to be the ultimate eco-friendly car, by the year 2010. Honda Motors has released this type of vehicle on a leasing basis. The manufacturing cost per unit is tens of millions of yen. The government plans to reduce the cost to produce fuel-cell electric vehicles to a level similar to or slightly higher than the

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cost to produce gasoline-engine cars. However, this would require a considerable degree of technical innovation, according to a leading manufacturer.

The manufacturing cost of electric cars is relatively low. Marketing for electric cars will start next year or later. However, their mileage per charge is less than half the gasoline cars. Improving the performance of electric cars requires the development of new batteries.

Solar power generation

The barrier to the adoption of solar power generation, an environment-friendly energy, is the high cost. At present, generating 1 kilowatt costs 46 yen, about seven times higher than the cost needed for nuclear power to generate the same amount of electricity. The government aims at lowering the cost to 14 yen by 2020 and 7 yen by 2030, the level similar to the cost needed in the case of nuclear power generation. Of the solar power generating cost, the manufacturing of solar batteries accounts for 60 PERCENT, and the cost of building related equipment for 40 PERCENT. Manufacturers are making efforts to reduce such costs by reducing the amount of silicon, a material used in batteries. However, with the price of raw materials soaring, there are no prospects for cutting the manufacturing cost.

Nuclear power generation

The government sees nuclear power generation, which does not emit carbon dioxide, as the card in adopting measures against global warming. Demand for nuclear power generation is on the rise throughout the world in the wake of the soaring crude oil prices. The government wants to establish small- and medium-size nuclear power plants and become able to export such by 2015. It also aims at developing a next-generation-type light-water nuclear reactor with high energy consumption efficiency by 2030.

Biofuel

The government released a plan to boost the production of biofuel, fuel derived from recently harvested plants, from about 30 kiloliters as of March last year to 50,000 kiloliters by 2011. At present, various companies are constructing plants to produce bio-ethanol, using rice that is not fit for human consumption. The production of bio-ethanol using cellulose materials, such as rice straw, which does not affect the food supply, will start next summer. An authentication project for the production of bio-ethanol using scrap wood has started. However, the project has not yet reached the stage for practical application in cost terms.

(3) Future of this planet (Part 2): G-8 nations indicate no resolve to share "pain" expected through solution of issues

TOKYO SHIMBUN (Page 1) (Full)
July 11, 2008

In forming a long-term goal for reducing greenhouse gas emissions at the Group of Eight (G-8) Summit (Hokkaido Toyako Summit), it was imperative to persuade the U.S. and elicit its agreement.

The U.S. insisted that China, India and other emerging countries that are sharply increasing gas emissions should be required to

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commit themselves to attaining a long-term goal.

The challenge of curbing gas emissions may generate business opportunities, but at the same time, the challenge could temporarily hurt economic activities. China and India are now rivals to the U.S. The U.S. could not approve a goal that would leave their greenhouse gas emissions unrestricted while affecting adversely only the U.S.

President Bush continued to say: "A long-term goal that does not involve China and India would be ineffective," indicating that the U.S. did not mind even if an agreement was not reached at the G-8 summit.

Japan, Britain, and Germany accepted all assertions by the U.S. The G-8 nations agreed to note in the leaders' statement that "The task (of curbing greenhouse gas emissions) will be implemented for the first time if all major economies offer contributions," including China and India. The U.S. was satisfied with the agreement, with Assistant to the President Daniel Price remarking: "What the President said was all reflected in the statement."

The latest summit, however, resulted in underscoring the limits of industrialized countries' (now Group of Eight countries (G-8)) capability to play a leading role in the international community, although they have tried to do so since the first summit was held in Rambouillet, France, in 1975.

There undeniably are areas that cannot be coped with only by the G-8 countries in dealing with climate change and other challenges. Consideration must also be given to the historical background of the rapid growth of such rising economies as China and India, as well as changes in the international community.

But the joint statement stopped short of mentioning what specific actions the G-8 nations should take to reduce greenhouse gas emissions and instead urged emerging countries and developing countries to share the burden and offer cooperation. This shows that only the G-8 nations are no longer able to pave the way for resolving international issues.

Although calling themselves the leaders of the international community, the G-8 nations, which have discharged large volumes of greenhouse gases, did not show enthusiasm or determination to take the lead in sharing the pain expected from fighting global warming. The G-8 summit has long been pointed out as turning into a mere formality affair, but this was clearly proved true in the Toyako Summit.

Attention was focused on a call for expanding the G-8 framework. Setting aside the propriety of the proposal, the U.S., which insisted on the involvement of China and India in the regime of a long-term goal, is unwilling to include China and India in the list of leaders in the international community. Such a stance is rather odd.

(4) Prime Minister Fukuda mulling cabinet shuffle

NIKKEI (Page 2) (Slightly abridged)
July 11, 2008

With the closing of the Group of Eight (G8) summit, Prime Minister Yasuo Fukuda has begun to seriously consider whether to shuffle his

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cabinet. In the past, Prime Minister Junichiro Koizumi took advantage of cabinet shuffles on par with his right to dissolve the House of Representatives, while Prime Minister Ryutaro Hashimoto made his popularity decline by exercising such a right. An impact on political management cannot be avoided,

Regardless of whether Fukuda shuffles his cabinet or not, his administration is reaching a fork in the road.

Considering that ten months have passed since the inauguration of the Fukuda cabinet, which he mostly inherited from the previous government of Prime Minister Abe, it is safe to say that Fukuda is eager to form his own cabinet. The government plans to come up in late this month with a set of five policy measures, including

measures for the elderly and medical services, and it plans to adopt budgetary request guidelines for fiscal 2009 (in August). There is a rumor that he may shuffle his cabinet after setting the budgetary request guidelines for fiscal 2009.

Fukuda probably expects that a cabinet shuffle would have the effect of promoting his policies, in addition to improving the image of his cabinet. Chances are that his cabinet approval rates may rise. With the completion of his duty as chair of the G-8 summit, Fukuda reportedly was surprisingly excited. When he telephoned New Komeito leader Akihiro Ota yesterday afternoon, he told him: "I am so glad that international leaders left Japan feeling satisfied." Fukuda's aides anticipate that the Prime Minister would shuffle his cabinet and then seek to turn the situation around in the extraordinary Diet session that will follow.

There is a view in the ruling Liberal Democratic Party (LDP) that a cabinet shuffle should be put off. Since there is no one in the LDP ready to succeed Fukuda, a drive to topple him from his post has never built up. This is pertinent to the fact that the Fukuda government was formed backed by eight factions in the LDP and that Fukuda brought faction leaders into his cabinet.

It is reasonable for Fukuda, who is known as a cautious person, to think that in order to maintain his administration's stability, he should prevent any move that would accelerate the process of someone trying to succeed him. There are some who think that Koizumi and Yoshiro Mori referred to the possibility of dissolving the Lower House in a bid to put the idea into the mind of Fukuda, whom they felt had no intention to do so.

When shuffling the cabinet, Fukuda needs to closely examine candidates as to whether they may have done something wrong in the past. A person close to Fukuda said: "The only thing we can do is to check political funds reports." However, fresh in everyone's memory is that Prime Minister Abe resigned just three months after the 2007 G-8 summit due to his cabinet members' scandals "involving money and politics."

If a large part of the cabinet is shuffled, the number of ministers subject to examination would increase and a risk of discovering misconducts will also boost. To prevent uncontrollable situations as many as possible, a minor cabinet shuffle would be good. However, a senior LDP member said: "If the cabinet is shuffled, all ministers should be replaced. Otherwise, those sacked would wonder why were they replaced."

There is also a possibility that Fukuda will avoid a cabinet

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shuffle, calculating the loss and gain. In that case, he will not escape a difficult situation. Because Fukuda would lose his grip on the party as the view that he may quit his post if he does nothing will spread in the party.

Late evening, LDP Secretary General Bunmei Ibuki suggested to Fukuda: "It would be better not to hear the views of the parties and those concerned." Fukuda reiterated as usual: "It is still a completely clean slate. There is no change in my position."

(5) Chief Cabinet Secretary Machimura: Decision on dispatch of GSDF to Afghan by the end of August

MAINICHI ONLINE (Full)
July 11, 2008

At his press conference this morning, Chief Cabinet Secretary Nobutaka Machimura said that he thought the government would make a decision on the dispatch of the Ground Self-Defense Forces (GSDF) to Afghanistan by the end of August, when an extraordinary session of the Diet is expected to be convened. "We would like to move ahead with this effort while having in mind when the opening of the Diet will occur," he stated. At the same time, he said, "There is a strong view that we must give serious consideration as to whether the oil assistance activity alone is sufficient, so we are studying multiple options."

(6) No need to revise SOFA: Maher

RYUKYU SHIMPO (Page 2) (Full)
July 11, 2008

U.S. Consul General in Okinawa Kevin Maher was invited yesterday afternoon to the University of the Ryukyus as a guest speaker at its law school to lecture on U.S. military base laws, and he there delivered a speech titled "U.S. Military Policy." There are now growing calls across the nation, including Okinawa Prefecture, for revising the Japan-U.S. Status of Forces Agreement (SOFA). In this connection, Maher stressed the United States' logic of keeping the SOFA intact with no revisions. "If there are moves (in Japan) for revising the SOFA, people in the United States will start out to say the Japan-U.S. security pact, which is very asymmetrical, is unfair," Maher said. "This matter will be a very difficult problem because it involves the security arrangements themselves," he added.

Maher also took up incidents involving U.S. military personnel. In this regard, he noted that Japan and the United States agreed to improve the SOFA's implementation after the 1995 schoolgirl rape incident in Okinawa. He explained that there has been no problem since then, pointing out such procedures as turning over U.S. military suspects to Japanese investigative authorities. He went on: "If Japanese authorities arrest a (U.S. military) suspect, they will have to decide within a period of 25 days on whether to prosecute the suspect. The period of detention on the U.S. side is not included in that period. If Japanese authorities enter a base, they can investigate, so they can extend their time for investigations. Japanese police don't want to arrest the suspect. It is better for them if the U.S. military arrests the suspect." With this, he asserted that for the convenience of the Japanese side, there may be request to turn over the suspect.

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(7) Gov't begins to provide info about U.S. military fugitives

RYUKYU SHIMPO (Page 2) (Full)
July 10, 2008

The Foreign Ministry will now provide local governments with information about U.S. military fugitives based on reports from U.S. Forces Japan on U.S. military personnel whose whereabouts are unknown and are classified as deserters. This information sharing system began yesterday through a consultative body of 14 prefectural governors hosting U.S. military bases across the nation. Okinawa Prefecture's Military Base Affairs Division received a report on this system yesterday from the body's secretariat (Kanagawa Prefecture). The Okinawa prefectural government has yet to decide on whether to disclose the provided information.

The ministry will inform base-hosting local governments about when U.S. military personnel deserted, which U.S. military base asked Japanese authorities to arrest them, how many U.S. military personnel deserted, and whether they are in custody. Kanagawa Prefecture, which serves as the secretariat, will transmit information to other base-hosting local governments from the Foreign Ministry.

In March, a taxicab driver was stabbed to death in Yokosuka, Kanagawa Prefecture. In this incident, a Yokosuka-based seaman apprentice of the U.S. Navy was arrested on robbery and murder charges. The U.S. sailor was classified as a deserter two days after he went missing. Nevertheless, the U.S. military did not report his case to the Japanese government.

In the wake of the incident, Japan and the United States held a meeting of their intergovernmental joint committee in May and agreed to improve the Japan-U.S. Status of Forces Agreement in its implementation so that the U.S. government will immediately provide the Japanese government with information about deserters and ask local police to arrest them.

(8) Interview with Hiroyuki Sonoda, deputy chairman of LDP Policy Research Council: Expand domestic demand by compiling second budget

NIKKEI (Page 2) (Full)
July 11, 2008

-- What would you deal with the issue of a hike in the consumption tax?

When considering the current political and economic situations, I think it will be very difficult to increase the consumption tax starting next fiscal year. We must first set clearly what direction we will take, and then make efforts to seek public understanding.

-- Will the consumption tax be raised in two to three years?

It probably will be. It might be desirable to raise the rate by 5 PERCENT , to introduce a reduced rate (between 5 PERCENT and 10) for some commodities, and to keep the current rate for things that should be kept the same. The average rate is expected to be about 3 PERCENT , so some suggest that the government should consider hiking the rate several years later again.

-- It will be necessary to raise the share of national treasury

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contributions in the basic pension account in FY2009, isn't it?

No matter which month the government starts increasing the share, people will not be directly affected. To reduce national treasury contributions as much as possible, the hike might come later in the year.

-- Are you considering the option of revising the Pension Revision Law, which calls for increasing (national government subsidy rate) by FY2009, and putting off the increase to FY2010?

This option cannot be ruled out.

-- What is the purpose of compiling a supplementary budget that is now under consideration for this fiscal year?

The major challenges that emerged after the passage of this fiscal year's budget included surging oil prices, measures to benefit senior citizens, and expansion of domestic demand. Measures to expand domestic demand should cover such areas as agriculture, fisheries, small businesses, and environment-protection technologies.

-- If outlays for domestic demand-expansion measures are incorporated in the supplementary budget, the budget will become hefty.

I hope to see a considerably large package of measures included. Although there are tax system reform and deregulation already on the books, I think that measures that require fiscal expenditures should also be included to some extent. We must abide by the basic line of maintaining fiscal discipline, but fiscal resources might not be enough only through spending cuts.

-- How about a cabinet shuffle?

"I don't think there will be a shuffle, because if something undesirable crops up after a shuffle of the cabinet, there would be a huge (risk).

-- You are positive about political realignment, but with whom in the Democratic Party of Japan do you think you can join hands?

"If I mention the names of such persons, it will cause them trouble, but they are those who have distanced themselves from President Ichiro Ozawa. Yet, it will be very difficult to carry out realignment before a House of Representatives election.

SCHIEFFER